



STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

Date Introduced:	02/24/00	Bill No:	AB 2475
Tax:	Sales and Use	Author:	Kuehl
Board Position:		Related Bills:	

BILL SUMMARY:

This bill would exempt from the sales and use tax the sale to or use of tangible personal property purchased by the Museum of Flying provided the property is purchased exclusively for display purposes within the museum.

ANALYSIS:

Current Law:

The sale or use of property used for display purposes in museums is generally subject to sales or use tax. The Sales and Use Tax Law does provide some specific exemptions for sales of display items to museums. Section 6365 provides an exemption for sales of original *works of art* when sold to a governmental entity or a nonprofit organization operating a museum which is open to the public.

Section 6366.3 provides an exemption for the sale or use of property purchased by a museum operated by a governmental or nonprofit organization to replace property which was physically destroyed by fire, flood, earthquake, or other calamity. The exemption provided by Section 6366.3 applies to display pieces, not just original works of art. However, the exemption does not extend to display cases, shelving, lamps, lighting fixtures, or other tangible personal property utilized in the operation of the museum.

Section 6366.4 of the Sales and Use Tax Law currently exempts from the sales and use tax purchases of property by a museum, as defined, exclusively for display purposes within the museum. The section specifically states that the exemption does not extend to display cases, shelving, lamps, lighting fixtures, and other property used in the operation of the museum. However, the exemption does include sprung instant structures used as temporary exhibit housing. This exemption is specifically limited to purchases by the San Diego Aero-Space Museum and the California Science Center.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position.

Proposed Law:

This bill would amend Section 6366.4 to extend the exemption to purchases by the Museum of Flying.

The bill would become operative on the first day of the first calendar quarter commencing more than 90 days after the effective date of the bill.

Background:

Section 6366.4 was added by SB 1609 (Ch. 1270, Stats. 1986) to grant a specific exemption for purchases of display items by the San Diego Aero-Space Museum. The current exemption for purchases by the California Science Center was added by SB 2023 (Ch. 904, Stats. 1988).

Section 6366.4 was amended in 1992 (AB 3232, Ch. 875, effective September 23, 1992) to provide an exemption for purchases of sprung instant structures for use as temporary exhibit housing. This amendment was added because the exhibit hall for the California Museum of Science and Industry (which is now known as the California Science Center) was determined not to meet earthquake safety standards, and was forced to close. While the exhibit hall was closed, the museum erected steel-banded, tent-like structures covered in canvas which were used as temporary exhibit housing.

One previous measure was introduced to expand the exemption provided by Section 6366.4. Assembly Bill 759 (Maddox), introduced during the 1999 Legislative Session, contained language that would have granted the exemption currently afforded to the San Diego Aero-Space Museum and the California Science Center to all non-profit museums. AB 759 was held in the Assembly Appropriations Committee. The Board was neutral on AB 759.

COMMENTS:

1. Sponsor and Purpose. According to the author's office, who is also the sponsor, the purpose of this measure is to provide the same exemption afforded to the San Diego Aero-Space Museum and the California Science Center to the Museum of Flying.
2. What is the Museum of Flying? The Museum of Flying consists of over 40 flight ready World War 2 aircraft on exhibit at the historic Santa Monica Airport. The museum is located on the exact spot where Douglas Aircraft was founded.
3. What about other museums? The exemption provided by Section 6366.4 currently applies only to the San Diego Aero-Space Museum and the California Science Center. This bill would add the Museum of Flying to the list of qualified museums. Other museums may seek similar consideration.

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COST ESTIMATE:

Some costs would be incurred in notifying affected retailers, answering inquiries, writing appropriate regulations, and revising returns. It is expected that the number of retailers affected by the proposed statute would be small, and therefore, the costs associated with this bill should be absorbable.

REVENUE ESTIMATE:

This bill would provide an exemption for specified purchases by the Museum of Flying. This is an extension of the exemption previously provided to the San Diego Aero-Space Museum and California Science Center. The exemption would apply only to purchases of property for use exclusively for display purposes within the museum. Purchases of property for use in the operations of the museum would be excluded.

The Museum of Flying, based in Santa Monica, houses a rare collection of World War 2 flight aircraft. According to the museum, purchase of new exhibits for display purposes amounted to \$49,456 during 1999. Using a 2% annual growth rate, expenditures for 2001 are estimated to be \$51,454.

Revenue Summary

The revenue impact from exempting \$51,454 in purchases of property used exclusively for display purposes by the Museum of Flying from the sales and use tax would be as follows:

<u>Revenue Effect</u>	
State loss (5%)	\$2,573
Local loss (2.25%)	1,158
Transit loss (0.67%)	<u>345</u>
Total	<u>\$4,076</u>

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